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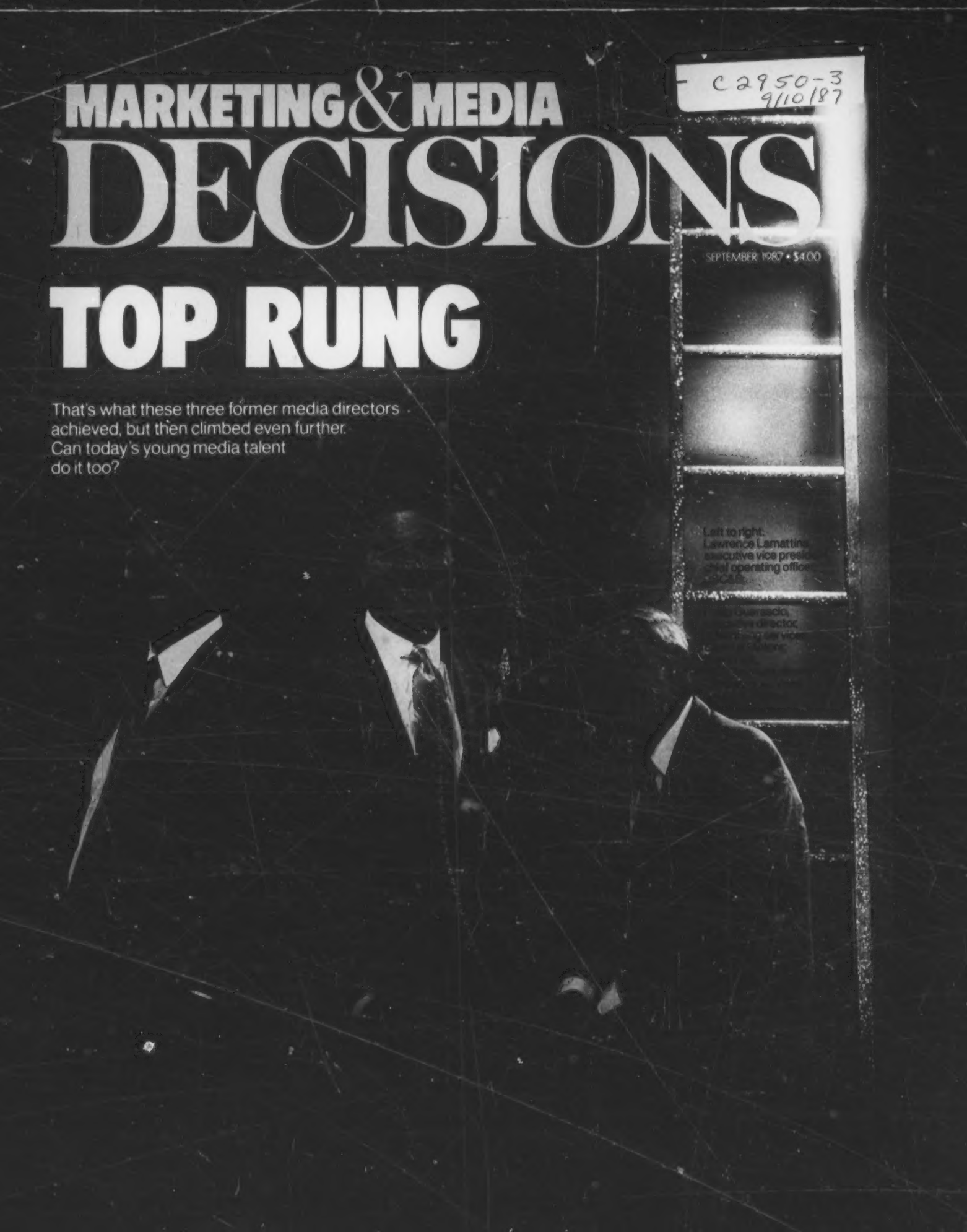
MARKETING & MEDIA
DECISIONS

SEPTEMBER 1987 • $4.00

TOP RUNG

That's what these three former media directors achieved, but then climbed even further. Can today's young media talent do it too?



MARKETING & MEDIA DECISIONS

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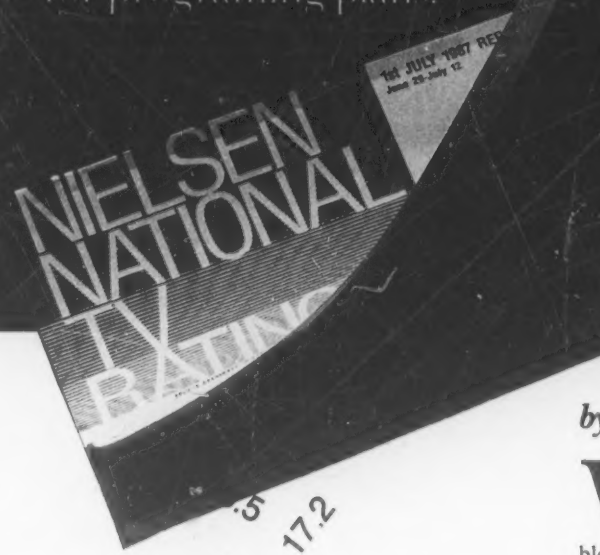
THE ALL NEW RATINGS GAME

The nets may have to rely more on qualitative data for programming plans.



JOHN STUART

by Joe Mandese

When push came to shove, the instability of Nielsen's people-meter test data did little to abate the buying frenzy that resulted in healthy double-digit increases for upfront time.

More conservative opinions say the issue of media inflation was obscured by other factors that may not hold up in scatter negotiations and that the overall network market may not prove as robust as the upfront activity indicated. For one thing, upfront buyers did not have to contend with two national ratings services, presumably producing two sets of ratings data. Although, there were significant disparities between Nielsen's people-meter evaluation data and its official NTI ratings, Nielsen was still the only standard, and buyers had a pretty good idea of the upfront starting line.

But this month the industry enters an era of two standards — Nielsen's and AGB's — and for the first time in network-tv history, the ratings are no longer gospel.

To what extent people meters factor into scatter deals remains to be seen. Fourth-quarter demand proved stronger than concern over ratings methodology. And of more immediate concern to the networks is how they will make their programing decisions as they enter a new tv season under a two-fisted approach to audience research. One side effect appears to be a heightened network sensitivity to

viewer feedback when plotting their programing. Like scenes out of Paddy Chayavsky's *Network*, tv viewers all over the country are saying, "We're not going to take it anymore." And surprisingly, the networks are listening. Sometimes.

Earlier this year, for instance, CBS bowed to the appeals of about 5,000 viewers who wrote the network asking that its *Designing Women* series be taken off hiatus and put back on the air. Today, it is one of the top-rated prime-time shows.

Of course, such letter-writing campaigns are not always so directly effective. The largest, in fact, did nothing to convince ABC to reschedule *Our World*, but the attention raised by the campaign has encouraged New York public-tv station WNET to resurrect the series.

Dorothy Swanson, whose Fairfax, Va.-based Viewers for Quality Television (VQT) orchestrated the campaigns, says she's not sure how many letters ABC received (the network does not disclose those figures), but she estimates as high as 30,000.

Although network researchers deny that this flurry of tv-consumer activism represents a democratization of the network tv-ratings business, they say they are prone these days to listen a little more closely to such appeals.

"In this business, you have to listen to a lot of things," explains NBC vice president of audience research, George Hooper. "Letters are an influence, but they're not pure research."

According to ABC vice president of marketing and research services Marvin Mord, the networks discount the influence of letters, because they generally skew toward favorable responses. "If you don't like a show or if you don't care about it, it's unlikely that you're going to bother to sit down and write a letter," explains Mord.

Still, concern over the instability of the new ratings data is causing the networks to shift some of their focus from

STEVE BEGLEITER

People meters: ad sales, yes, programing, maybe, says Mord.

quantitative to qualitative measures.

In addition to viewer mail, the networks employ a variety of "proprietary" research techniques to gauge the attitudes of tv viewers toward their programing. "It helps us make judgments on whether a program is growing or declining in appeal," says Mord.

Although the ratings still are the primary research influencing the fate of a show, Mord concedes that the proprietary research is playing a more significant role as the networks look for ways to hedge their bets.

"I think it is perhaps dangerous to make judgments based on a set of data that is not consistent over a period of time," he explains, referring to the swings caused by instability in the people-meter ratings sample.

The three networks' qualitative-research techniques include "diagnostic" research such as focus-group studies and targeted pilot screenings via cable tv. But the networks also utilize weekly telephone surveys to gauge the changing viewer response toward their programing.

The resulting data has been used suc-

SAMPLE CHARACTERISTICS
PEOPLE METER vs. NTI vs. UNIVERSE MARCH 1987

AGE OF HOH	PEOPLE METER	NTI	UNIVERSE
Under 35	28.9	24.7	29.1
35 - 54	36.9	35.2	35.8
55 +	34.3	40.1	35.1
HOUSEHOLD SIZE			
1	17.4	20.6	23.2
2	34.8	35.5	31.6
3	19.2	16.9	18.4
4	16.2	15.3	15.8
5 +	12.5	11.6	11.0
EDUCATION OF HOH			
0 - 8 Years Grade School	6.7	8.6	13.3
1 - 3 High School	10.1	10.6	12.3
4 High School	34.6	34.4	35.6
1 - 3 College	21.6	23.3	17.7
4 + College	27.1	23.1	21.1
COUNTY SIZE			
A	41.3	40.8	41.5
B	29.2	28.9	30.1
C	15.7	15.2	15.1
D	13.7	15.1	13.3

Source: Bozell, Jacobs, Kenyon & Eckhardt

cessfully in the past by the networks to market low-rated shows with the potential to build a loyal following. Indeed, the successes of NBC's *Cheers* and *Hill Street Blues* were due largely to heeding such data.

While such research can be useful for advertisers looking to underwrite a sleeper, J. Walter Thompson executive vice president and U.S. director of media services Richard Kostyra cautions that advertisers should avoid paying a premium to do so.

"The numbers are intended to give us a direction and guidance, but I think where an advertiser can go wrong is if they start paying premiums for this type of data," he explains. "It can be helpful in pointing out which shows have the greatest appeal, but you have to be careful not to sacrifice total audience for this approach."

Still, CBS recently went a step further in its attempt solicit grass-roots opinion of its programing. While the networks typically give their surplus

LARRY BARNS

Y&R's Joseph thinks agencies' trend-spotting may suffer.

pilot episodes trial airings during the summer months, CBS decided to showcase them under the banner *CBS Summer Playhouse* and gave viewers a chance to cast their votes via "900" telephone numbers.

"We never imagined that we would get more than 100,000 calls for one of these things," says CBS vice president of communications and information, George Schweitzer, adding that while the phone survey has a "marginal" influence on the fate of the shows, CBS acknowledges that it's not very scientific. "We know that people who are not interested in the show aren't going to spend 50 cents to have their voice heard. So we know it's somewhat skewed toward favorable responses," explains Schweitzer.

While such research is not intended to replace the traditional ratings data, the networks appear less confident about depending on ratings alone.

Most troublesome are the dramatic swings in the people-meter evaluation data. Initially, those swings were caused by the small size of the early people-meter sample, but even as the sample increases, the households being added to the sample have caused fluctuations in the data.

Nielsen's sample, which currently is at 2,000 households, will grow in groups of 500 until it reaches its goal of 4,000 households by September of 1988. While the data should have more stability then, researchers still would like to see about a year's worth of ratings at a stable sample size before they are comfortable with the data.

But Steve Sternberg, media-research supervisor of Bozell, Jacobs, Kenyon & Eckhardt, suggests it may be that people meters actually are recording real fluctuations in tv viewing that previously were not detected by the diary methodology.

A CONVERSATION WITH A NIELSEN FAMILY

Kymberly M. recently completed one of about 4,000 Nielsen diaries that were mailed out to measure tv viewing in the New York DMA in July. The following are her reactions to being a "Nielsen Family."

Q: How does it feel to know you are one of only a few thousand people that are affecting tv-programing decisions for the rest of the country?

A: I was very excited about it at first, because I have a lot of opinions about what I watch and I was happy that I could express them. But I didn't feel like the diary was really expressing my opinions. I felt like they really just catalog what I watch and don't take into account what my opinions are. There was a little space for comments, but I didn't feel like that would be anything they would listen to. I think that the stations just decide what people want to watch.

Q: Do you feel as though the diary altered the way you watch tv?

A: Yes, I don't watch it as much. I really forced myself to watch tv. I felt as if it were an imposition, but I wanted to list my favorite shows, so I had to watch them, even though they were all reruns.

Q: Did you want to influence the way tv is programed?

A: Definitely.

Q: How soon after viewing a show did you mark it down in the diary?

A: I tried to do it right away. Otherwise I wouldn't remember.

Q: Did you mark down anything that you didn't actually view?

A: Yes, but they were shows that I normally watch. Like *Pee Wee Herman*. I couldn't quite get up that Saturday morning, but I normally do watch it. I didn't fill out anything that I normally wouldn't watch every week.

Q: Is there anything that you did watch that you were embarrassed to put in the diary?

A: No.

Q: How do you feel about Nielsen replacing the diary with a meter that allows you to push buttons to record your viewing instead of filling out a diary?

A: I think it's probably the exact same thing. I think it's probably just as much of a pain to push buttons as it is to write down what you saw. ■

"We believe that viewing patterns have changed over the past several years, along with lifestyles. People may no longer be watching with the same degree of loyalty as in the past. The competitive television environment has changed," writes Sternberg in a report to BJK&E's management. "Diaries, with their inherent bias toward higher-rated network programs, were incapable of reflecting this change."

Meanwhile, the networks have expressed concern not only with the size of Nielsen's ratings sample but with its composition. CBS, whose programing generally skews to older, more rural viewers, has been most vocal in this, pointing out that Nielsen's current sample favors homes that are younger and more urban than its old NTI sample.

"The truth is, however, that the people-meter sample merely corrects the bias of the old sample," notes BJK&E's Sternberg. "On an age-and-geographic basis, the people-meter sample more closely reflects the actual population. We don't recall CBS complaining when they benefitted for years from the old sample's imbalance."

The only valid network complaint about sample composition, according to Sternberg, is that there are too many college-educated and pay-cable homes in the sample (See chart, page 40).

From NBC's point of view, the "most troubling finding," according to vice president/research Bill Rubens, is the fact that people-meter button-pushing causes "fatigue" over time that generates a high drop-out rate among the heaviest tv viewers. For that reason, NBC successfully persuaded Nielsen to shorten its sample turnover rate from five years to two years — a move AGB is resisting.

While the more rapid turnover rate should correct some of the measurement problems associated with people meters, Young & Rubicam senior vice president/director of communication information services Pearl Joseph says it will make network planning decisions more difficult for agencies by reducing their ability to project data.

"Maybe trends aren't going to be as easy to get," says Joseph. "So what does that mean for a business that's made on trends?"

Moreover, the industry this month will have to grapple with different ratings from AGB and Nielsen in attaching value to network fare. "There will be differences," concedes AGB vice president/sales and marketing Barry Kaplan. "Just sampling error alone will cause differences."

There will be differences between the services, admits AGB's Kaplan.

But sampling error aside, researchers say they will focus on what the research companies do with their data once they get it.

"Editing rules are something we're going to focus on," explains Tim Duncan, executive director of the Advertiser Syndicated Television Association (ASTA). "It looks as though the two services will have different ways of treating people who don't push their buttons."

According to Duncan, households that don't push buttons will be dropped completely from AGB's in-tab sample. Nielsen, however, plans to include such households in its household viewing estimates, but not as part of its persons-viewing estimates.

"You can make a case for doing it either way," says Nielsen vice president/director of production, planning and development John Dimling. "but if household ratings are important, you shouldn't throw away households just because people aren't pushing buttons."

Although it's unlikely that the No. 1 Nielsen-rated *Cosby Show* will suddenly slip to No. 10 in the AGB ratings, the debate over any difference in the ratings raises concern among network researchers. Most researchers, though, consider the people-meter data to be more accurate than Nielsen's old system.

ASTA's Duncan notes that a casual perusal of weekend shows in a Nielsen pocketpiece — "especially in a summer book" — will uncover lots of footnotes and that "each one of those footnotes may represent a relative error of 50% or more. That's huge when each of those numbers translates into a dollar in somebody else's pocket."

In any case, SSC&B vice president and director of media research Larry Roslow says people meters may already have proven their superiority over the old ratings system, at least on the business side. "I think the fact that we and the networks were able to do upfront negotiations over a lower set of numbers indicates how credible the numbers were," he explains. "The networks fought a rearguard battle, but they did business on people meters and we got guarantees."

But if the ratings data really is better, that does little to explain why the networks are relying more heavily on their qualitative research. Indeed, any debate over the ability of the new research methodology to actually gauge the preferences and behavior of viewers may all be for naught.

According to George Gerbner, dean of the Annenberg School of Communications in Philadelphia, the networks have little need to concern themselves with the reality of their audience's viewing habits.

"The consumer has no effect at the box office," explains Gerbner. "The viewer watches no matter what's on. In many countries you can put on a test pattern, and people will still watch. The main attraction of who will watch is not the program but the time of day, the day of the week and the week in the season. Networks don't need to reach their viewership. The networks need the ratings, because they get their money from ratings and not from viewers." ■

TAKE TWO

The real excitement with the compact disc may lie not in the future, but in the past. So say many of the major record labels as they use the high-tech toy to rejuvenate their catalogs.

by Marianne Meyer

When we last left the compact disc, (*Marketing & Media Decisions*, March 1985, pg. 60), the then two-year-old format was being touted as the future of the music industry. For the record industry, that future is in sight. Like the Beatles' song says, the elements have now "Come Together," and music marketers have discovered a bonanza in the new format.

Recent figures from the Recording Industry Association of America (RIAA) show CDs on the verge of surpassing LPs/EPs in dollar volume (see chart page 52), though cassettes remain the dollar champions. In fact, *Billboard* magazine reports that a second joint market-research project by RIAA and the National Association of Recording Merchandisers (NARM) for 1986 shows CDs surpassing LPs, with CDs posting a 19% dollar volume share as opposed to LPs' 18%.

Some retail chains, such as the 540-store Musicland group, report their CD *unit* volume beating vinyl too. And this year promises more of the same: 96% of the NARM members surveyed by the RIAA said they expected an increase in CD sales this year. Considering that CD hardware has a much lower penetration level than predicted two years ago (about 7% of American homes), the software sales figures are even more impressive.

This would seem to leave the record labels sitting pretty, but the real picture is a little more complicated. CDs are a fairly costly item — the average disc carries a price tag of about $15.98, twice that of an LP or cassette. That means that to really become the new standard, CDs are going to have to appeal beyond the upscale audiophiles and classical-music buffs who initially helped launch the format.

For some, winning the hearts and wallets of the baby-boomers — those most likely to have enough discretionary income to buy CD players and twice-the-price music — involves a single, simple idea: Sell them new versions of music they know, love and perhaps even already own.

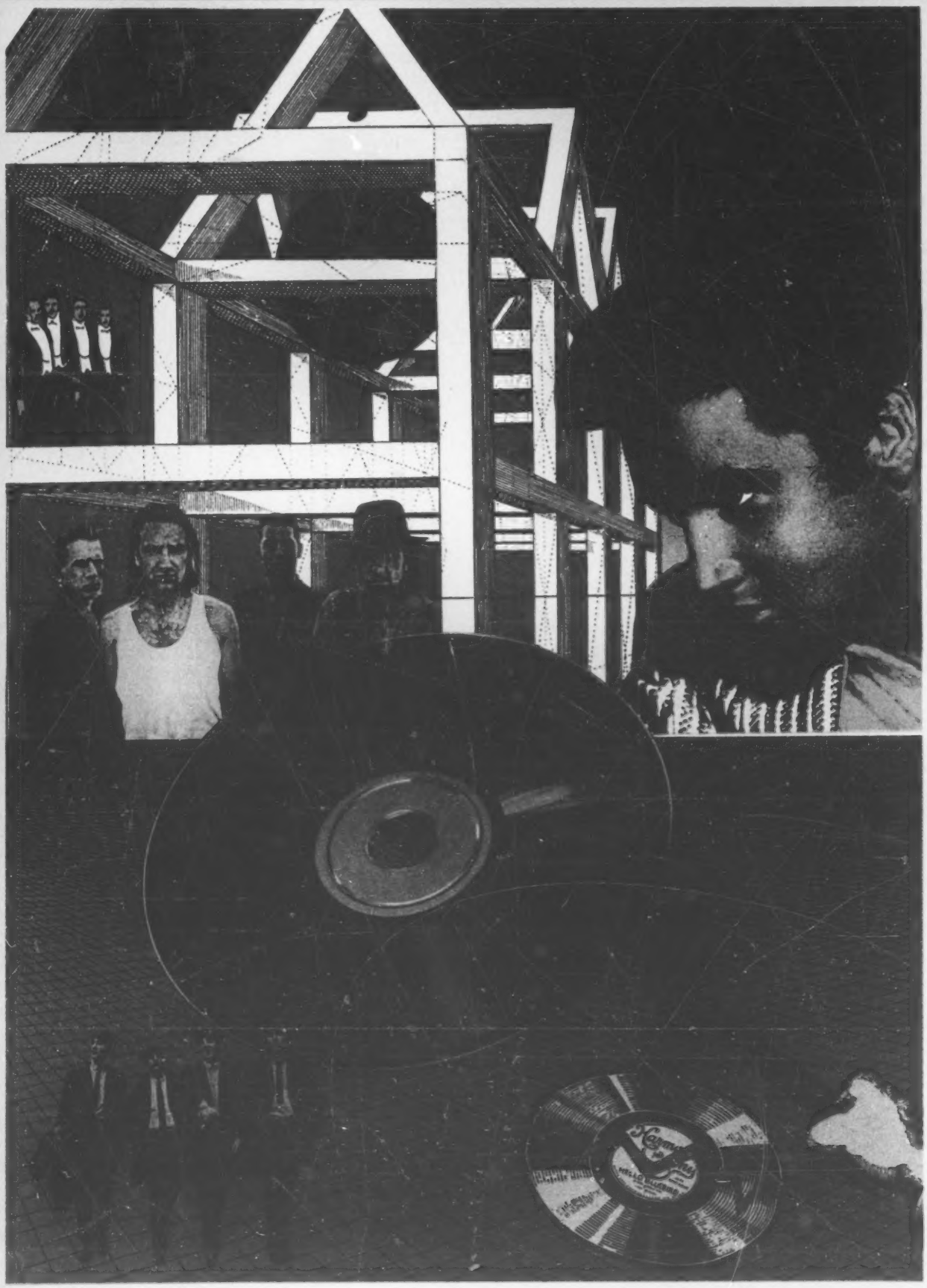
Record companies have found that catalog material that has been on the shelves in recent years can be re-released in the CD format for impressive new revenues. Twenty years ago, according to *Billboard*, the music industry trade weekly, the following artists held the top five positions on the retail-sales album charts: The Beatles, The Monkees, Jefferson Airplane, The Rolling Stones and The Doors. Within the past year, all five groups have had retrospective-compilation CDs and/or CD versions of their albums released by the major labels to smashing results.

Such success has set off an explosion of re-releases. Record companies are falling over each other to resurrect music from legendary stars, deceased artists and pop heroes, as well as performers who are on the comeback trail.

RCA, for example, is currently watching over a major Elvis Presley reissue series and a CD-only jazz series. "And we're looking through our catalog to come up with material on CD that hasn't been released before," says Michael Omansky, vice president of marketing for the label. The company has also established a compact-disc club to market directly to consumers.

There are all kinds of marketing methods being employed to lure buyers. Some of them range from strategically dribbling out the new CDs to pushing tons of material into the market all at one time. Direct mail, press exploitation and radio and magazine ads are some of the tactics being used

ILLUSTRATION BY MARC YANKUS



to strike responsive buying chords.

No one reaped better benefits on this score, recently, than Capitol Records, which controls the entire recorded output of the Beatles in the U.S. Ever since the CD format was introduced, the Beatles' catalog was considered the best mainstream possibility to convert the pop music audience to CD.

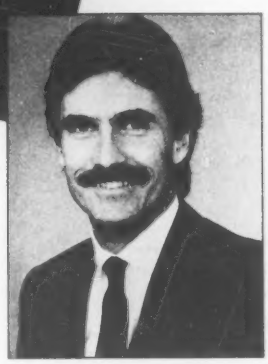
But Capitol wanted to make the most out of what it had and carefully constructed a marketing plan to do just that. According to Capitol Records vice president of marketing, Ron McCarrell, "We thought we could move a lot more Beatles CDs if we put together a sensible kind of plan to release them in stages or groups over a period of time." This method also ensured that Capitol could more accurately gauge demand and not run into out-of-stock situations.

Following a chronology that paralleled the release of the Beatles albums in their original U.K versions, Capitol Records in America and EMI in London announced a worldwide plan in which the first four — and only the first four — Beatles LPs would be available on CD in February 1987. Three more would appear in April. And then, when they realized that 1987 was the 20th anniversary of the *Sgt. Pepper's Lonely Hearts Club Band* album, "that sort of became the linchpin of our plan," tells McCarrell. "We locked it in on that date (June 1, 20 years to the day since the initial release), and we adjusted the release dates of the titles that came before and the titles that came after."

"As a fan, I hated them for doing it that way," says a marketing executive at another record label. "But as a businessman, I thought it was brilliant."

This note-by-note schedule nearly guaranteed that each new set of releases would attract fresh attention to the line, as well as encourage consumers to buy each new grouping in full as it appeared.

To make sure this strategy would pay off, Capitol conducted listening parties and produced extensive press kits; the media needed little encouragement to take the ball from there. Coverage in newspapers nationwide and on television (both news and music-video outlets), along with the competition of radio stations attempting to be the first on the air with Beatles songs on CD, created a media event.



"Get Back": Capitol's McCarrell helped set the marketing in motion that put the Beatles back on the charts.

"It's as much a matter of media exploitation as anything else" says McCarrell. "I'm of the prime age that remembers when each release of a Beatles or Rolling Stones LP was an event in your life that you really looked forward to. We're trying to recreate a little bit of that here."

How much free advertising came out of all this radio, print and tv attention? "I don't have enough batteries in my calculator to try to answer that," McCarrell laughs.

He might also have trouble keeping track of profits. At last count, the *Sgt. Pepper* CD was on the verge of platinum (one million unit sales), *Help*, *Rubber Soul* and *Revolver* were just shy of gold (a half-million units) and the other four in the pre-*Pepper* batch were closing in on gold as well.

This performance is nothing short of sensational considering that a gold or platinum LP for a contemporary band, still actively running up bills for studios, touring and entourages, is considered a financial victory. To have a series of gold and platinum albums from a band's catalog, then, is a positive windfall. *The Joshua Tree*, a current multi-platinum LP by rock favorites U2, is estimated to have sold just under a half-million CD units.

Capitol will attempt to mine precious metal again this fall. It plans the CD release of Frank Sinatra catalog material from the 1950s period many consider his creative peak. But here, as McCarrell admits, Capitol is dealing with an "older, more passive consumer," so the marketing will be different. The Sinatra CDs will, in many cases, include bonus tracks, and out-takes that did not fit on their vinyl counterparts.

The other major labels have not missed the nostalgia craze fueling the CD surge. Columbia and ABKCO Records, for instance, each released Rolling Stones albums in CD form. Though the discs have performed well, many industry observers think both companies could have done even better had inter-label competition not forced them to release all the Stones music at one time.

The press, traditionally considered much less important than radio in the promotion of records, is exerting more muscle when it comes to promoting CDs. The press can expose material, make a point of enumerating the qualitative differences of the CD release, encourage the consumer to spend the extra money by pointing out extra tracks, longer playing time, etc., or, conversely, warn of inferior quality.

But Steven Schecter, vice president and data-base director of Digital Radio Network (DRN), disagrees heartily. "Magazines and catalogs have long lead times," he points out. "People would have no way of knowing what's currently available." That's the *raison d'etre* behind the new DRN service,

which seeks to link radio, the CD market, record companies and retailers into a marketing unit.

Founded earlier this year by Paul Zullo, a former vice president of DIR Broadcasting, the service offers local radio stations a market-exclusive toll-free number that listeners can call for the latest info on CD availability. Calls are handled by live operators who use the subscribing station's call letters and refer people to local retailers.

In return for the service, "local stations give us a minute a day of ad time," says Schecter. DNR is negotiating to sell that minute to a national advertiser. Rollout of the network began in July and some 70 stations in markets such as New York, Boston and Chicago and Miami have signed on.

The service could get inquiries about what's available on CD from all kinds of music lovers, for CD has appeal far beyond its classical and pop base. In the jazz field, bonus tracks and unique reissues are making for good CD business. At Fantasy Records in San Francisco, a jazz label that's also one of the largest independent record labels in the country, president Ralph Kaffel sees jazz buyers as CD naturals. "The jazz market consists, to a great extent, of collectors, and they're more oriented to the historical development of the music than, say, a rock-music fan," he finds. "Because the CD medium has such clarity and definition, it's a very important medium for reissues."

Rykodisc president Don Rose had his biggest hit to date with a Jimi Hendrix concert disc. Rykodisc is a CD-only label.

The majors, too, see jazz's potential. For September, RCA released 16 CD-only compilations gathered from its Bluebird label (featuring blues and big-band music of the '30s, '40s, and '50s). The collections, featuring artists like Duke Ellington, Glenn Miller and Artie Shaw, also include previously unissued songs and alternate takes. There are more releases in the series planned for later in the year.

When possible, record companies like to tie the release of re-issues to some external event that can help generate additional publicity. RCA released a series of four Elvis Presley "Commemorative Issue" compilations (in all three formats — LP, tape and CD) in August, tied to the tenth anniversary of his death. "It's the first time we've issued Elvis on CD in any significant way," says RCA vice president/marketing Mike Omansky, and the results are positive. "Right now the initial sales puts the CDs at close to 33% of total sales (unit volume). Obviously, it varies by act and market, but CD sales usually run about 25%, so Elvis is high."

To support the Presley release, RCA ran a major consumer campaign throughout August, including advertising in the *National Enquirer* and the *National Star*, retailer merchandising, trade and radio ads. Promotional budget is "very much in line with what we'd spend on a current star," says Omansky.

Not exactly hurting RCA's effort was the cable-music network VH-1's decision to make August a month-long tribute to Presley. (The network did the same thing in April for the Beatles when their CDs were released.) "Any opportunity that VH-1 has to tie-in retail, the record community and our viewers is a priority that we're looking to do," says Jeff Rowe, vice president of programing for VH-1. The VH-1 Beatles promotion had included a grand-prize giveaway of a trip to London, as well as Beatles CD collections, Sony VCRs and copies of the Beatles' films on videocassette.

Another criteria for re-release can be

MANUFACTURERS' UNIT SHIPMENT (millions)
(net after returns)

	1982	'83	'84	'85	'86	% Chg. '85-'86
LP's/EP's	243.9	209.6	204.6	167.0	125.2	-25%
CD's	—	.8	5.8	22.6	53.0	+134%
Cassettes	182.3	236.8	332.0	339.1	344.5	+2%

MANUFACTURERS' DOLLAR VALUE ($ millions)
(at suggested list price)

	1982	'83	'84	'85	'86	% Chg. '85-'86
LP's/EP's	$1,925.1	$1,689.0	$1,548.8	$1,280.5	$ 983.0	-23%
CD's	—	17.2	103.3	389.5	930.1	+139%
Cassettes	1,384.5	1,810.9	2,383.9	2,411.5	2,499.5	+4%

Source: RIAA Market Research Committee

the re-emergence of an artist into the public eye. For example, Jefferson Starship, a hot group in the late '60s under the Jefferson Airplane moniker, began to find an enthusiastic audience among teens last year. RCA realized a market opportunity was at hand — an act that could span several generations. "We thought 'Now is the time for a Jefferson Airplane anthology: a double CD with 10 bonus tracks. Again, over a third of the sales were CDs," reports Omansky.

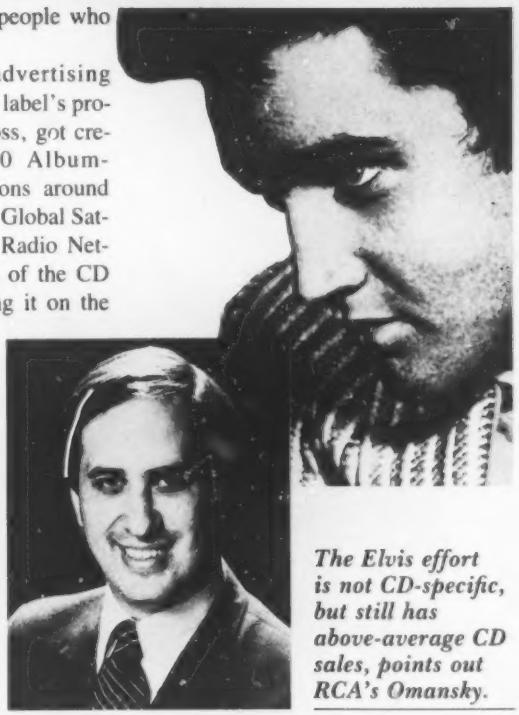
Atlantic had the good sense, or good luck, to release Crosby, Stills and Nash's catalog on CD just as the trio hit the road for a summer concert tour. "They have no current product," says the label's Mark Schulman, vice president of creative marketing services. "But we're promoting the CD product based on their tour."

Other labels' catalogs were once the prime source of material for Rykodisc, whose label name is from the Japanese word for "sound from a beam of light." The label releases nothing *but* CDs, most of them licensed material from other company's catalogs. "It's getting increasingly difficult to try to get things from major labels," says (now former) marketing director Noah Herschman, as they realize the potential in their own libraries.

Earlier this year, Rykodisc scored a coup of sorts with the release of *Jimi Hendrix Live at Winterland*, a vintage 70-plus-minute concert performance by the seminal rock guitarist. The material was exclusive to the CD label and, having no record or tape equivalent, has become the biggest-selling CD-only release yet (over 50,000 units in two months). For this release, Herschman had to rethink his plans. "Usually," he says, "we have to target things very vertically. We have to advertise in magazines that have a greater number of compact-disc hardware owners, like *Digital Audio* and the stereo books."

But with Hendrix, "it's six of one, half-dozen of another. If I advertise in *Digital Audio*, I reach 70,000 compact-disc owners, maybe 10% of whom like rock. If I advertise in *Rolling Stone* and there are a million rock lovers, and 10% of them own CD players, which one's bigger? You've got to look ahead and start to target more of the music audience and not just the people who own CD players."

Herschman, whose advertising budget was "2-3%" of the label's projected $5 million 1987 gross, got creative. He convinced 50 Album-Oriented Rock radio stations around the country, along with the Global Satellite and Westwood One Radio Networks, to have giveaways of the CD in conjunction with playing it on the air. Through last month, Rykodisc and Sony co-sponsored a contest through the Tower Records chain — "The Ultimate CD Experience" — awarding prizes of Sony CD players and the Hendrix CD, along with subscriptions to Tower's *Pulse* magazine.



The Elvis effort is not CD-specific, but still has above-average CD sales, points out RCA's Omansky.

Many in the industry have some flutterings about the disc's mass-market future. "Consumers will get more selective in what they buy," predicts Omansky. "The first year they own a CD, consumers buy a large number. They're filling their personal pipeline and are not so discriminating. But once they hit their own saturation level, it becomes more discretionary. Consumers won't be able to absorb everything and neither will retailers."

Indeed, "We have to broaden the base" is the common cry among record company executives, looking at that 7% hardware penetration figure. But the battle on the hardware front, fought so carefully in the past with efforts like the Compact Disc Group (an amalgamation of over 40 producers of CD hardware, software and accessories designed to promote the format), may erupt into war.

New technologies like CDV (compact-disc video), CDI (interactive CDs) and DAT (digital audiotape that offers CD sound clarity on cassette) are all on the horizon, and only CDV, which combines five minutes of video and 20 minutes of digital audio, is compatible for current players, but only for the audio material. While the establishment of a CDV Group may answer some of the questions regarding the disc's future, DAT threatens to erode any spirit of cooperation.

"DAT has the hardware and software companies at each other's throats again," says Herschman. "The consumer has been burned in the past," says another exec. "With all the CD, CDV, DAT, they're confused. They're not ready to commit to the hardware. And the high prices of CDs don't give them any incentive to make the effort."

To retailers' and consumers' dismay, disc prices do not seem to be coming down, even though the manufacturing cost is dropping as new plants come on line. CBS, MCA, Polygram and A&M have begun offering midline series, retailing at about $10 for CDs that are not considered major reissues (Capitol says its working on something "along the same lines" for fall roll-out), but there is no sign of a drop in prices for frontline product.

For the moment, at least, the lucrative baby-boom market, which to the record industry's dismay had seemed to be growing up and out of an active interest in music, is being lured back.

"We're still dealing with a very narrow segment of the market here," says Capitol's McCarrell, "but they're very active, upscale music consumers." Especially, it seems, when they can get their "Satisfaction" listening to the clearest tones possible. ■

BRAND REPORT

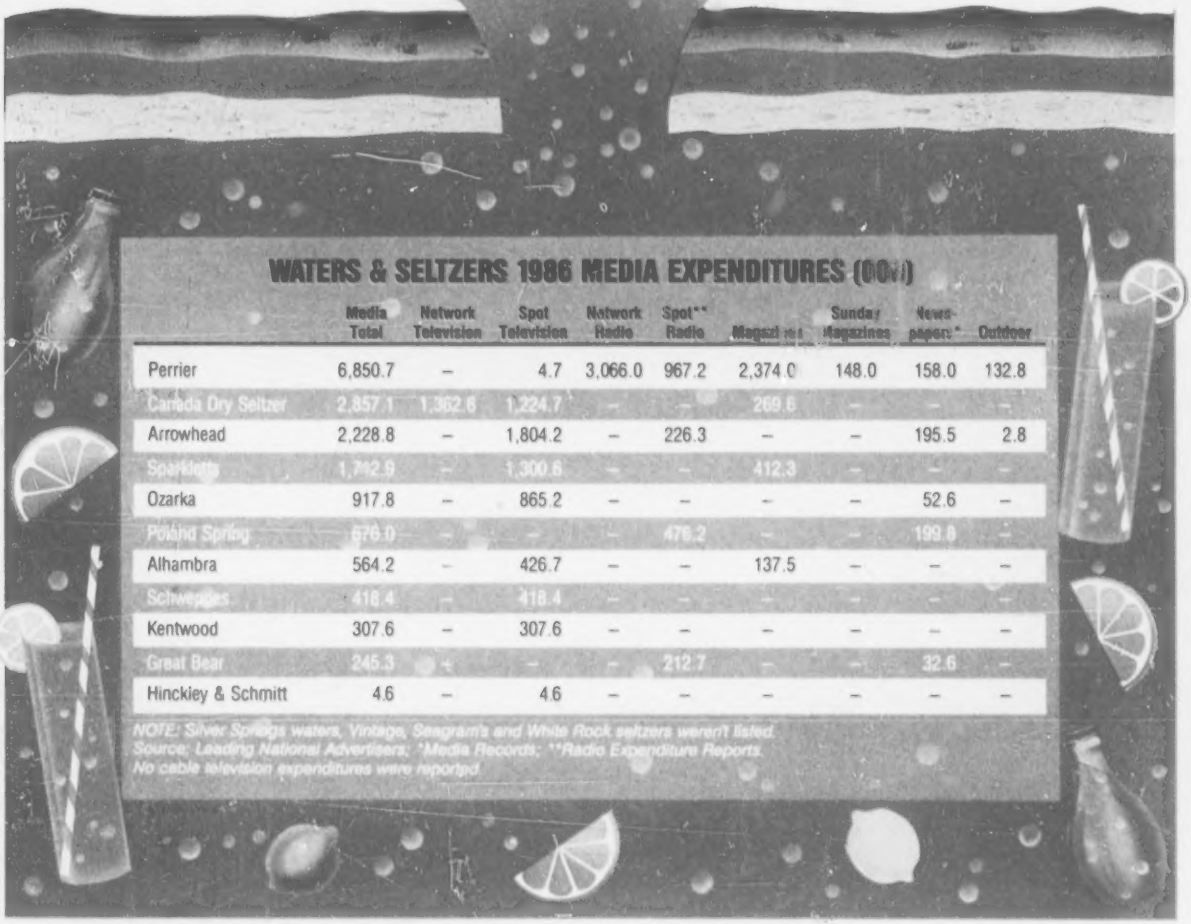
No. 145: Waters & Seltzers

WATER, WATER EVERYWHERE

by Paula Schnorbus

Water is on everyone's brain these days as many consumers opt to turn off the tap and uncork the jug. Such behavior has broken the dam, sending still and sparkling waters and seltzers spilling in waves across the U.S., where the bottled-water business exploded last year to an estimated $1.2 billion in wholesale dollar sales, $255 million of which was in sparkling water, according to Beverage Marketing Corp. That figure should double to $2.4 billion by 1995, says FIND/SVP, a division of Information Clearing House.

Sparkling water, which has recently made a splash with its fountain of flavors derived from the oils or rinds of fruits, is becoming a soda and alcoholic-beverage substitute. Unflavored



WATERS & SELTZERS 1986 MEDIA EXPENDITURES ($000)

	Media Total	Network Television	Spot Television	Network Radio	Spot** Radio	Magazines	Sunday Magazines	Newspapers*	Outdoor
Perrier	6,850.7	–	4.7	3,066.0	967.2	2,374.0	148.0	158.0	132.8
Canada Dry Seltzer	2,857.1	1,362.6	1,224.7	–	–	269.8	–	–	–
Arrowhead	2,228.8	–	1,804.2	–	226.3	–	–	195.5	2.8
Sparkletts	1,712.9	–	1,300.6	–	–	412.3	–	–	–
Ozarka	917.8	–	865.2	–	–	–	–	52.6	–
Poland Spring	676.0	–	–	–	476.2	–	–	199.8	–
Alhambra	564.2	–	426.7	–	–	137.5	–	–	–
Schweppes	418.4	–	418.4	–	–	–	–	–	–
Kentwood	307.6	–	307.6	–	–	–	–	–	–
Great Bear	245.3	–	–	–	212.7	–	–	32.6	–
Hinckley & Schmitt	4.6	–	4.6	–	–	–	–	–	–

NOTE: Silver Springs waters, Vintage, Seagram's and White Rock seltzers weren't listed.
*Source: Leading National Advertisers; *Media Records; **Radio Expenditure Reports.*
No cable television expenditures were reported.

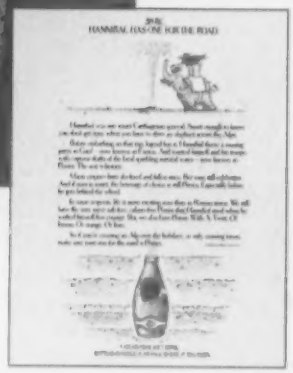
ILLUSTRATION BY JENNY ADAMS

Perrier gave sparkling water its stylish identity ten years ago and, at the same time, spurred the growth of the entire water industry. Last year, about 40% of Perrier's sales were from its flavors, says Beverage Marketing.

Plain seltzers also have given way to flavored seltzers and at cheaper prices than sparkling water. Seltzers are artificially carbonated water while sparkling water may be naturally or artificially shot with bubbles.

On the water front, be it still or sparkling, the bottled brands have been regional by nature. The expense of shipping and distribution keeps it that way, and business has stayed near its water source, except for imports like Perrier, which corners the import market with a 72% share. The only nearly nationally distributed still water so far is Mountain Valley, which costs double any other bottled water because it has only one source, in Hot Springs, Arkansas. Wholesale dollar sales only amounted to $17.5 million in 1986, according to Beverage Marketing.

PepsiCo Inc. is taking a different approach to a potential national bottled water. It is test marketing Ice Mountain Maine Spring Water, which, if successful, could become Ice Mountain Virginia Spring Water, or wherever Pepsi buys up other water sources and slaps the regional name on it. And Perrier, no slouch in the water business, has almost doubled its market share to 20% from 10.3% based on 1986 statistics, by recently acquiring the Beatrice Co's. bottled-water division, which owned Arrowhead, the second-biggest selling brand last year behind McKesson's Sparkletts. Both waters serve Southern California.



California is the biggest buyer of bottled water and consequently has the most home delivery. While most may think Golden State residents quaff the stuff to wash down their granola, California has a problem with hard water — too many minerals that may spoil the taste and be seen clinging to the sides of a glass. And, like other states, sometimes chlorine or other chemical content may be high or groundwater sources polluted.

What fuel for bottled water advertising! Or so it would seem, but negative ads don't wash in the industry. In fact, there is an agreement that bottled-water companies won't go for the jugular of municipal water supplies, says Mark Frandsen, vice president/marketing of Beatrice. He thinks it is "a nice commentary on our industry."

Meanwhile, bottled still water companies, including Beatrice, sell spring water as well as drinking water that is less expensive and comes from filtered municipal water.

Gene Rosov, president of WaterTest Corp., a Manchester, N.H.-based company that tests point-of-use drinking water sources for industry, consumers and municipalities, says the processing plants have been fairly sophisticated and have brought community water to a higher level of purity. However, he notes that spring water is poorly regulated. "You can call almost anything spring water, but larger companies are usually more responsible," he notes.

"In general," says Rosov, "bottled waters are free of the indicators of microbiological contamination. But there is no supply that is thoroughly tested for the presence of currently and commonly used pesticides on a comprehensive basis."

Still, the bottled-water business embodies a wholesome, holier-than-thou, field-frolicking image in its advertising, preying on upscale baby boomers' obsession with their health. The industry has employed minimalist advertising and, until recently, mostly gained sales by word of mouth, because 80% of still water is home or office delivered. When spot tv — water's biggest medium — spot radio, ROP ads and free-standing inserts in newspapers are used, a bottler or retailer will often match the ad dollars on a co-op basis. Several brands do cross-promotional couponing with Ocean Spray.

The following is a list of the biggest still and sparkling waters and seltzers in 1986, according to Beverage Marketing Corp. In estimated wholesale dollar sales and brand share, Sparkletts was first, with $115 million in sales

and a 6.7% market share; Arrowhead, $111 million and a 6.5% market share; Perrier, $108 million and a 6.3% share; Great Bear, $36 million and a 2.1% share; Poland Spring, $31 million and a 1.8% share; Kentwood, $30 million and a 1.8% share; Hinckley & Schmitt, $27.5 million and a 1.6% share; Silver Springs, $22 million and a 1.3% share; Ozarka, $21 million and a 1.2% share; and Alhambra, $20 million and a 1.2% share.

The biggest seltzers of 1986, based on share by company of estimated gallons shipped, were Canada Dry, 20.2 million gallons and a 2.9% share; Vintage, 13.7 million gallons and a 16.2% share; Seagram's, 3.7 million gallons and a 4.4% share; Schweppes, 3.6 million and a 4.2% share; and White Rock, 2.6 million and a 3.1% share.

Sparkletts

The biggest-selling bottled water of 1986 serves some of the biggest markets: Southern California, parts of Texas and Las Vegas.

Its home-delivered bottles are marketed to 35-to-64-year-old college graduates who own homes with values of at least $135,000. Each of the houses has at least three members, including children.

Sparkletts does more home and office delivery than supermarket sales. Consequently, the advertising of its gallon jug is limited to point-of-purchase material, couponing, free-standing inserts and occasional print ads.

Sparkletts uses 30- and 60-second spots on local radio for its home-delivered bottles. This year, says Ron Burke, director of marketing, radio advertising is heavily involved in sports sponsorships, such as for the Los Angeles Dodgers and California Angels. Spot tv ads, which have a higher concentration in dayparts, are 10 and 30 seconds. Local newspaper advertising and business magazines, such as *Orange County Review*, have been used to a lesser degree. Sparkletts also sponsors men's and women's sports programs at the University of Southern California, as well as the Las Vegas Stars baseball team and local cultural events.

There also is a cooperative program with Merrill Lynch Realty Inc. With every home sold, Sparkletts provides a housewarming gift of free water for two months.

Burke says advertising in local ethnic publications is in the offing.

Burke also says that LNA's estimate of $1.7 million is about right for Sparklett's 1986 ad expenditures. He adds that expenditures are up about 10% in 1987 and will probably rise another 10% in 1988. Sachs, Finley is the agency.

Arrowhead

The Californians and Arizonians who have Arrowhead's five-gallon bottles delivered to their homes have larger families and higher incomes than the average, says Mark Frandsen, vice president of marketing.

An umbrella campaign is used to promote both the delivered and store-bought still water. Tv and radio are used. The primary target audience is women from 25 to 49 years of age, and the secondary audience is men of the same age for 93-year-old Arrowhead.

Sparkling Arrowhead skews to a younger crowd of 18 to 49 years old. In addition to natural sparkling water, the three-year-old flavored variety includes lemon, lime, orange, grapefruit and cherry.

Tv supports both still and sparkling water with 30-second spots. Because of the demographics, the ads for still water may be seen on a broad range of programing, ranging from prime time to soap operas. Sparkling water commercials are aired during programs geared to a younger audience.

Radio ads support still water with 60-second spots with live announcer tags at the end. ROP newspaper ads are used for still water, while free-standing inserts appear for sparkling water. Cable tv is being tested, and outdoor isn't used at all. J. Walter Thompson handles the advertising.

Frandsen says that Arrowhead uses "a lot of Hispanic tv and radio; they are important bottled-water customers." About 30% of Southern California is Hispanic, he notes, and this segment is much more familiar with the concept of bottled water. Hispania/JWT is the agency.

LNA's estimate of $1.7 million for 1986 ad expenditures is "substantially low," says Frandsen, who wouldn't comment on Arrowhead's ad budget.

Perrier

Perrier isn't so much of a demographic sell as a psychographic sell, says Barbara Long, director of marketing. The target audience may range from their 20s to late 40s, but they are health-conscious first.

Perrier was first bottled in France in 1863 and made it over to this country, although very quietly, in the early 1900s. In 1977, Perrier got more aggressive in its marketing, says Long, to bring the beverage out of the "specialty gourmet position to a mainstream drink." In 1985, Perrier began its line of flavors, and today it is available in lemon, lime, orange and berry.

Perrier is most popular on the East

and West Coasts, and in Texas. The drink has a strong restaurant, hotel and convenience-store business, where it is mostly sold, and is actively trying to increase its presence in these outlets. In hotels, Perrier is hoping to get turn-down services to leave a bottle of the sparkling stuff on the pillow instead of the traditional chocolates. Long adds they are trying to get Perrier into business meetings as well, for those who are trying to cut down on coffee.

New creative was introduced for the sparkling mineral water in January by Hal Riney & Partners, which became Perrier's agency in November. Because the campaign was new, tv was used as the sole medium. Commercials have been running on spot and cable in lengths of 30 and 60 seconds. Perrier advertises on network morning-news shows, "which are good at reaching travelers and working people." Spots also run on professional-tennis and golf tournaments, prime-time shows such as *L.A. Law* and late-night programing, because those who watch then are active socially and physically. Perrier also can be seen in Screen Vision ads in movie theaters for infrequent tv users.

Bottled water companies like to project wholesome images, but one expert notes that no water supply is thoroughly tested for pesticides.

LNA's estimate of $5.7 million in ad expenditures for last year is pretty much on target, says Long. In 1986, however, most of the ad dollars were in magazines and network radio, according to LNA. Media Records' newspaper estimate of about $158,000 is also in a "reasonable range," confirms Long, who wouldn't comment on this year's budget. In spot radio, Radio Expenditure Reports estimates that almost $1 million was spent in 1986.

Great Bear

Great Bear has been Beatrice Co.'s East Coast still water, distributed in 12 northeastern states. The demographic target is, again, primarily women ages 25 to 49, and then men of the same age group.

The 99-year-old bottled water has an "extensive print campaign" to support its commercial-route delivery business, says Frandsen of Beatrice. Great Bear is in regional business magazines to talk business-to-business, for example. Ads also run in the *New York Times Magazine*, the *Star Ledger* in Newark, N.J., and the *Philadelphia Inquirer*. There aren't any free-standing inserts for Great Bear.

"The print campaign is totally new this year," explains Frandsen, adding that "800" numbers are featured for the businesses to encourage direct response.

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Last year, an awareness-building radio campaign was used in New York and Philadelphia. This year, neither tv nor radio nor outdoor campaigns are in the works.

Frandsen wouldn't comment about any plans for a sparkling Great Bear addition.

LNA didn't have any ad expenditures listed for Great Bear last year, but Media Records reported $32,586 in newspaper expenditures, and Radio Expenditure Reports says $212,734 was spent in spot radio.

Poland Spring

Poland Spring's still and sparkling waters have been around since the mid-1800s, but the dominant part of the business is the noncarbonated variety, which serves as the official water of the Boston Celtics.

The northeastern brand does best in retail, but home delivery is growing, says Long of Perrier, which now owns Poland Spring due to the acquisition of Beatrice's water works. She notes that the water appeals mainly to young families. The target audience is in the 25-to-49 age range.

Spot radio and newspapers are largely used. "Historically, radio is cost-efficient and able to tailor a message," says Long. "Tv is very expensive and very broad." The radio spots are 60 seconds, and the newspaper ads are ROP to help create awareness for home and office delivery. Commercial delivery is a smaller part of Poland Spring's business and is usually pitched through direct mail.

The sparkling water, which adopted flavors of lemon, lime, orange, cherry and cherry-berry cola, is advertised strictly on the radio. A younger audience of those in their teens and early 20s is targeted, although 60-second spots may be heard on various radio formats. Newspapers aren't used because Poland Spring uses on-bottle coupons and is able to get price reductions right on the store shelves.

LNA doesn't list Poland Spring in 1986, but Media Records reports that almost $200,000 was spent on newspapers, while Radio Expenditure Reports guesses almost $500,000 went into spot radio.

Altschiller-Reitzfeld became the new agency in July, succeeding Ally Gargano/MCA Advertising.

Kentwood

Because researchers have found the Mississippi River to be a "chemical highway," Kentwood zeroes in on southern Louisiana and, to a lesser extent, Mississippi, Alabama, Florida, Georgia, Arkansas, Oklahoma, Tennessee and Texas, says Hiro Morimura, executive vice president.

Kentwood, which is a division of Suntory International, the Japanese beverage concern, markets still and sparkling water. Morimura says Kentwood "is looking into" adding flavors to its sparkling water.

Demographically, Kentwood's customers are white and 30-to-50-plus years old, with incomes over $25,000. Morimura wasn't sure why other demo groups in his regions don't consume bottled water, but he guessed that income level may be a factor.

The still water is advertised in 30-second tv spots and placed based on GRPs, although ads may be seen on

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Ozarka emphasizes its mountain-spring origins in its sparkling water.

fitness and cooking shows. Radio spots are 30- and 60-seconds. Newspapers aren't used "because penetration ratio isn't wonderful." Billboards, which are "very effective," are on the media plan, too. Magazines aren't used, but the yellow pages are. Kentwood also sponsors jazz festivals and other local events, and conducts a friend-to-friend program, whereby it awards gifts or incentives to consumers who recruit new Kentwood customers.

The sparkling water hasn't been promoted strongly while Kentwood develops a marketing plan, says Morimura.

Morimura says Kentwood's ad budget is under $1 million. Last year, LNA put Kentwood's ad expenditures at $307,600 for spot tv. Bauerlein Inc., New Orleans, is the agency.

Hinckley & Schmitt and Silver Springs

Hinckley & Schmitt, the 100-year-old brand, which predominantly serves the Midwest, pulled in $27.5 million in estimated wholesale dollar sales last year. This is probably no small feat because "there are still a lot of people in Chicago that drink tap water," says George Schmitt, president. The idea of drinking bottled water "probably hasn't even crossed their minds."

Recently, the Hinckley & Schmitt name has been emphasized on its other local brands, such as Ozone, Cascade and Rainbow. Silver Springs was acquired two years ago and serves Southern California. Last year, it pulled in $22 million in estimated wholesale.

Hinckley & Schmitt is distributed to homes, offices and retailers. A sparkling water, also available in citrus flavors, is in the test stage right now.

Hinckley & Schmitt advertises its "In a glass by itself since 1888" campaign in 30- and 60-second radio spots and 15- and 30-second tv spots. Fortis, Fortis, Schoenleb, Chicago, is the agency. Tv spots are half prime time and half day, since the target audience is primarily women age 25 to 54. Newspapers, such as the *Chicago Tribune* and *Chicago Sun-Times*, are used with ROP advertising.

The brand also promotes with Gerber Foods by selling a nursery drinking water with fluoride added to it. The water is marketed in gift packs primarily to hospitals in the Midwest.

The ad budget grows 10% a year, and for all Hinckley & Schmitt waters, this year's budget is in excess of $1 million.

Ozarka

Ozarka has been Beatrice Co.'s water alternative in Texas, the company's fastest growing area, says Mark Frandsen, vice president, marketing. The demographics are the same as Arrowhead and Great Bear, 25- to 49-year-old women first, men second.

Frandsen says emphasis has been put on Ozarka's mountain-spring origins, because customers then tend to perceive it as the best possible water.

The grocery- and route-delivered still waters are supported by 30-second tv spots. Ozarka's sparkling water, which shares the same water source and flavors as Arrowhead, is advertised in 30- and 10-second spots and through ROP ads and FSIs in newspapers.

LNA quotes $865,200 as Ozarka's 1986 ad expenditures. Frandsen says the figure is understated.

Alhambra

Alhambra covers the half of California that Sparkletts doesn't cover: the northern half.

The McKesson product also introduced a sparkling water that, if it does well, may go national, says Arnold Allan, vice president of marketing and new product development. The sparkling water is packaged in an old-fashioned seltzer bottle that spritzes out of the top, so "it never goes flat."

Alhambra is pitched to those who are 21-plus years of age and of middle income and higher. Tv spots of 30 and 10 seconds are used in all dayparts. The 30-second spots are "skewed to the overused word 'yuppies' and sophisticates." Sixty-second spot-radio commercials are used. Newspapers aren't used because Allan says those ads are more message-oriented and Alhambra is skewed toward image. Most of Alhambra's business is through direct sale as the company is totally vertically integrated.

Allan says more than $1 million a year is spent on advertising. LNA reports that in 1986, $564,200 was spent, mostly on spot tv. Sachs & Finley is the agency.

SELTZERS

Canada Dry

Let no one call Canada Dry "stodgy." This nationally distributed seltzer is targeting an affluent, avant-garde, 30-ish person with a college education. "Historically," says Allan Feagin, director of marketing services, "Canada Dry has been older and more mainstream."

The seltzer was introduced in the early 1970s, and 10 years later flavors hit the shelves. And there will probably be new flavors next year to replace slower moving ones. "It's a far more competitive arena now since the introduction," explains Feagin, noting that most seltzer makers have flavored entries.

Canada Dry's new creative by Wells, Rich, Greene debuted in May. The agency was adopted after Canada Dry was acquired by Cadbury Schweppes last year.

Canada Dry's seltzer is advertised primarily on tv, 60-second radio spots and West Coast billboards. Feagin adds that 90% of ad dollars are committed to 30-second tv spots. Media guidelines call for prime-time and late-night slots. Trade magazine advertising is done in *Beverage World* and *Beverage Industry* magazines. Carol Wright direct mail coupons are used as well as ROP ads by local bottlers and free-standing inserts.

LNA reports $2.8 million was spent on 1986 ad expenditures, most of which were in network and spot tv.

Discover!
CANADA DRY
SELTZER
No Calories • Salt Free • Natural
SAVE 30¢
On One 2-Liter, 2 Family Size (1-Liter) or Multi-Pack of any Canada Dry Product
Seltzers

FSIs play a role in the marketing of most seltzers.

Vintage

This seltzer, which may be found in most East Coast states, is the most price-driven among the sample. Though its consumer advertising is all but invisible, it retains the number-two slot in gallons shipped. The reason is clear. How can a consumer pass up *anything* that sometimes sells four liters at a dollar?

Vintage's makers consider the seltzer and its flavors to be soft drinks, and that's where they solicit sales, in the soft-drink sector, says Michael Lendacky, marketing manager for Concord Beverage Co., Concordville, Pa., which makes the seltzer.

Vintage is promoted once a quarter. Advertising, as designed by Regional Media Associates, Philadelphia, is in trade journals. Co-op advertising with retailers occasionally is in tv, radio and newspapers. Lendacky wouldn't comment on the ad budget, and LNA, Media Records and Radio Expenditure Reports have no listings for Vintage.

Schweppes

More than 200 years ago, Jacob Schweppe "impregnated" water by adding carbonation to his mineral waters, hence the birth of sparkling mineral water, says Margaret Luciano, marketing manager.

In 1981, Schweppes began distributing its seltzer water, or as its ads call the "Great British Bubbly." Flavors began test marketing in Seattle in April 1986, and currently 42 markets are covered, or just under 40% of the U.S. population. Potential seltzer drinkers are 25-to-44 years of age with some college education.

The seltzer is distributed through bottlers, who may or may not advertise. All advertising is done on a 50-50 basis with bottlers. There isn't any national advertising.

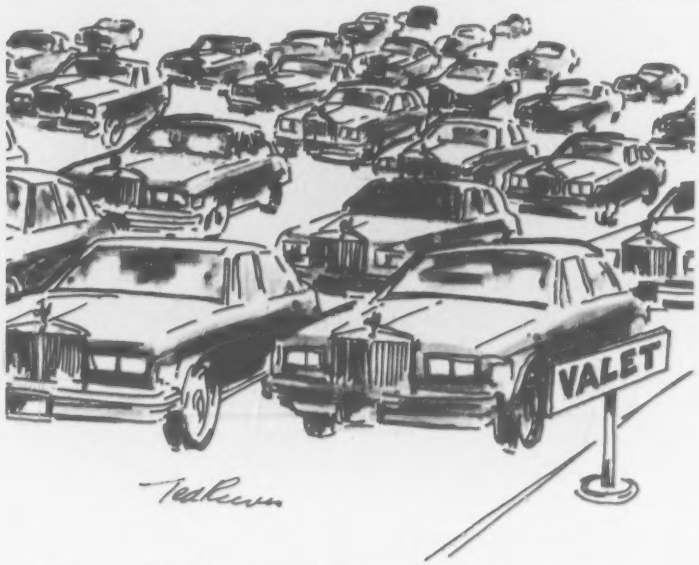
Spot tv, ads of which are usually on prime time and prime-access late news, and radio are used, as is ROP advertising in newspapers with some usage of FSIs. Outdoor advertising is done in Atlanta and Los Angeles. Ammirati & Puris does the creative for the seltzers.

LNA reports that in 1986, $418,400 was spent on spot tv.

Seagram's

Seagram thinks of its seltzer as a "lifestyle beverage."

As opposed to the "effete snob im-



"Dear, I thought you said we'd stand out from the crowd when we bought this car."

The nation's largest Rolls Royce dealership is located in Orange County and The Orange County Register carries more full-run automotive advertising than any other Southern California newspaper. (Media Records, 1986)

THE ORANGE COUNTY Register METROGROUP

The leading medium in Southern California's richest market. Represented by CWO&O

"Before the Juvenile Diabetes Foundation was founded 16 years ago...there was no hope for a cure. Today the hope is very strong."

Before JDF began funding research for diabetes, little was known about this devastating disease and little was being done.

No one knew about inhibitor drugs that may some day radically lessen diabetic complications.

Before JDF, we knew little about transplanting insulin-producing cells or medications that one day may prevent the onset of diabetes.

Before JDF, there was no hope for a cure...today there is. Support us.

Juvenile Diabetes Foundation

With your help, we will be known as the people who cured diabetes.

THE JUVENILE DIABETES FOUNDATION INTERNATIONAL
432 PARK AVENUE SOUTH, NEW YORK, N.Y. 10016

age of Perrier," says Jerry Will, senior vice president of Premium Beverages Inc., a unit of Seagram, "we're more value-oriented and reasonably priced." The primary target audience, which cuts through all demographic segments, is 25 to 49 years of age.

The seltzer, first introduced in 1982, hasn't reached national distribution but is hitting 45% of the country. The highest concentration of volume is in the Northeast Corridor and Florida. Flavors came out last year.

The advertising, created by Marquardt & Roche, Stamford, Conn., is done locally on a co-op basis with bottlers. Radio and outdoor ads are used, and ROP newspaper ads feature coupons. Radio spots are 60 seconds, with a 15-second tag portion that gives pricing. Wet sampling in supermarkets and direct-mail couponing are employed to sell the seltzers.

The ad budget has been growing, says Will, but it remains under $1 million. "We stay out of tv. We're using our dollars with radio," he says. "We get more product awareness with a tagline on the radio."

White Rock

Seltzers have a list of standard flavors, all of which contain the essence of some type of fruit. But White Rock is looking at bottling Brooklyn's famous egg cream.

Up until the introduction of Perrier, says Joseph McCarthy, product manager at White Rock Products Corp., seltzers were always lumped with mixers such as ginger ale, tonic water and club soda. "Seltzers are a whole category by themselves," says McCarthy. But that doesn't change how they are advertised. White Rock still displays its mixers en masse. Montgomery, Zukerman, Davis in Indianapolis is the agency.

White Rock is distributed thoughout the country by regional bottlers, and price promotions and co-op advertising are used. The seltzer is strongest in New York, where 30-second radio spots pitch the brand. About $150,000 is spent on radio advertising. "We've been around for such a long time," says McCarthy, who says White Rock made seltzers in the late 1800s. "Not everybody has to advertise." ■

SALES PROMOTION

by Russ Bowman

PREMIUMS AND INCENTIVES: THE NEW VIEW

In an atmosphere of continuing concern over too much price-oriented promoting, premiums present a special marketing opportunity to consumer product and service companies.

Unlike temporary price reductions or cents-off packages, premiums — merchandise offered free or at a substantial discount — are perceived as value added. And unlike coupons or rebates, which are quickly gone and forgotten, a premium stays with the consumer or in the home as a permanent reminder. Additionally, considering the current concern over the loss of image-building caused by most price-cutting tactics, it has been established that premiums can positively reflect the image and positioning of a company or brand.

There are many different premium and incentive techniques, ranging from inexpensive premiums packed in children's cereals to complicated continuity catalogs like AT&T's "Opportunity Calling" program.

What is important is strategic use of the right premium for the right task. The chart "When to Use What" matches common marketing/promotion objectives and the types of premiums generally best suited to accomplish them.

One unique advantage of premiums is their ability to actually enhance an advertising campaign or planned brand image, and certainly the best examples of this strategic use of premiums comes from those brands/companies that are symbolized by a character: the Campbell Soup Kids, Charlie Tuna, Tony the Tiger, Cap'n Crunch, Ronald McDonald, and of course the two famous twins from the twin cities — the Green Giant (and "The Little Sprout") and the Pillsbury Doughboy.

It may be a little difficult to measure,

WHEN TO USE WHAT

OBJECTIVES	PREMIUM/INCENTIVE TYPE
Trial (new users)	Free mail-in offer (advertised); direct premiums or giveaways
Repeat purchase	Free/self-liquidator offers; catalog programs
Reinforce advertising	Advertised self-liquidators; sweepstakes (merchandise prizes)
On-shelf value/impact	In/on-pack premiums; reusable container premiums

The Jolly Green Giant will lend a hand to keep you dry.
Get your Giant Hand Umbrella only $2.95
and 4 Green Giant can labels or frozen package fronts

Pillsbury's famous symbols, the Doughboy, Green Giant and "Sprout," enhance ad campaigns.

Take your pick of two unique premium offers from Pillsbury and Green Giant*
Light up your kids' lives with two timely gifts – the Poppin' Fresh* Alarm Clock/Radio and Little Green Sprout* Lantern. Both of these handy premiums can be yours when you buy your favorite Pillsbury and Green Giant* products. See details in the order forms on the back page.

but not many experienced marketers would disagree that there is great long-term value in having your brand's symbol as a constant reminder around the house. Americans have accepted the "walking billboard," otherwise known as a t-shirt, as a way of life.

A&W Root Beer wanted to offer a reasonable-value dealer loader to help promote their "Root Beer Float." Source International, a premium importing firm, and Comart Associates, A&W's promotion agency, came up with a custom-designed floating radio. After the radio was presented to the bottlers, the initial premium order was increased by 60%.

But the use of premiums in advertising is truly a marketing example of the "different-strokes-for-different-folks" philosophy. While many brands see the premium merchandise as an opportunity to extend the brand's symbol or image, some companies, like Procter & Gamble, look at the use of premiums from a different strategic point of view. P&G chooses a premium that will gain the highest potential consumer response. If the idea can fit well with the brand in an ad and in many cases as an "overlay" to a coupon, it's even better. One example is a free stuffed animal (a traditionally successful premium) called "Cheero," offered for two proofs-of-purchase.

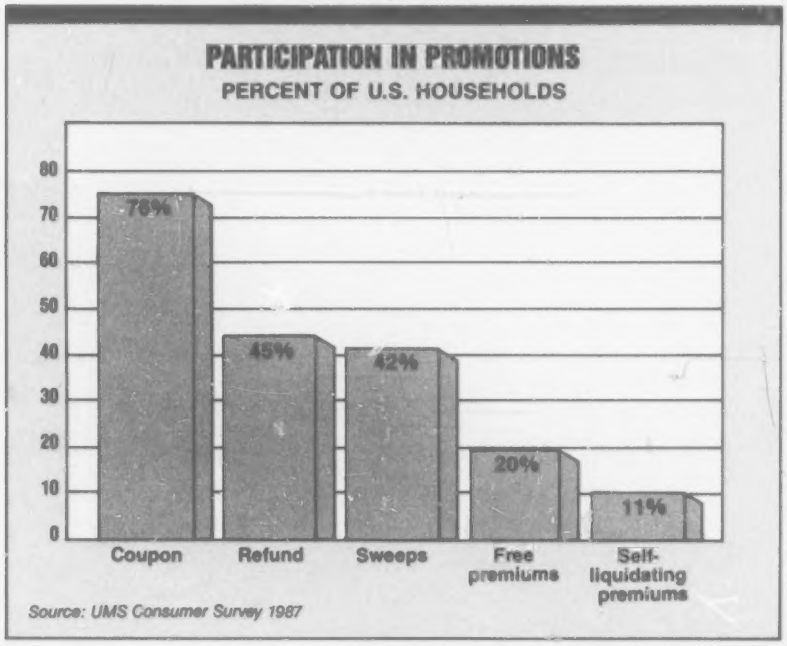
FIVE KEYS TO SUCCESSFUL PREMIUMS

1. A clear, apparent perceived value
2. A *unique* offering or opportunity
3. A high value/reward when compared with what is required of the consumer. (Cost and/or proofs of purchase, etc.)
4. Merchandise quality that meets the expectations of the consumer recipients.
5. Merchandise chosen/designed to appeal to the target audience (i.e.: You wouldn't offer Lawrence Welk records to teenagers)

With premiums' potential as attractive, value-added promotion tools, it's hard to believe the business is only growing at about 3-5% a year. The reason is simple: "Delayed-value" premiums just do not have that want-it-now clout of coupons or instant rebates. A consumer study by United Marketing Services, Lubbock, Tex., shows the relative participation among U.S. households for different promotional offers (see graphs). Premium offers, especially "self-liquidators," obviously appeal to a much smaller segment of America than refunds and sweepstakes.

Both the key trade publications in this industry seem to agree on modest growth in 1987 to date and for the balance of the year. *Premium/Incentive Business* has predicted a 3.9% overall growth for 1987 (significantly less than last year's gain of 5.5% over 1985). Following are *P/IB*'s picks for the larger spending industries with the greater increases, 1987 over 1986, in premium use: hotels/restaurants, +12.7%; tobacco, +12.1%; mail order, +8.9%; appliances, +8.7%; machinery/hardware, +8.5%; pet food, +8.1%; textiles/apparel, +7.2%; and soaps/cleansers, +7.1%.

Bruce Bolger, editor of *Incentive Marketing*, also sees modest growth in 1987, but notes a couple of important bright spots. First, the "frequent buyer" plans (see "Direct Marketing, pg. 20) seem to be on the rise due in part to improved data-base marketing approach, and second, the joint or group promotions from either one company or partnerships utilizing premiums and incentives.



Mark Your Calendars

The key premium trade shows are still popular and in fact gaining. Jay Thalheim says his New York City premium show in May of this year pulled 33,684, up about 5% over 1986 and an all-time high.

Following is a list of the major upcoming shows: National Premium, Incentive Show, Sept. 15-17, 1987, McCormick Pl., Chicago; Variety Merchandise Show, Feb. 13-16, 1988, Javits Center, New York; 50th Annual Premium & Incentive Show, May 2-5, 1988, Javits Center, New York.

PROMOTION AT WHAT PRICE?

DEFINING TERMS

Promotion is absolutely essential to a brand's marketing success, but all promotions are not created equal. There are only two basic kinds of promotion and they work in fundamentally different ways to generate sales and profits (or losses).

The share of marketing budgets allocated to promotions is at an all-time high. Unfortunately, most of this money is being spent on the kind of promotion that is seven times more expensive than advertising to maintain a point of market share over the long term. No wonder marketing productivity and profits are falling.

What are these kinds of promotion? One works like advertising to register a brand's unique advantage in the consumer's mind. The other kind simply offers a non-unique incentive to accelerate the buying decision.

Because advertising and the first kind of promotion develop brand preference and build a brand's consumer franchise, these activities are consumer franchise building (CFB) activities. Advertising is the major CFB activity, but certain promotions that work like advertising are also classified as CFB activities: sampling, demonstrations, service material and couponing.

Since the second kind of promotion accelerates action by consumers and the retail trade but does not register the brand's unique advantage in the consumer's mind, these activities are non-consumer franchise building (or non-CFB). Non-CFB activities include all trade deals and allowances, temporary price reductions, bonus packs, most premiums and sweepstakes, all of which are promotions that emphasize a non-unique incentive rather than the brand's unique advantage. Much couponing, including free-standing inserts, must be classified as non-CFB because the unique advantage is not mentioned, or else it is overpowered by the emphasis on the non-unique cut price and the mass of similar offers.

This way of classifying marketing activities as CFB or non-CFB is the heart of a simple CFB analytical technique that I began to develop 13 years ago. When marketing activities are classified in this way, unsuspected relationships are revealed between expenditures for CFB and non-CFB activities on the one hand, and market share and long-term profits on the other. In analyzing 45 case histories averaging eight years, I have discovered that:

1. Advertising and CFB promotions have a *cumulative* impact on sales for about four years. Non-CFB promotions affect sales less than a year.

2. When a brand spends too much of its budget on non-CFB promotions, profits almost always drop within two years. This reflects the fact that the brand is not spending enough on low-cost CFB activities and/or is spending too much on short-term non-CFB promotions that cost seven times as much per point of market share.

3. Market share is related to expenditures for advertising and CFB promotions over the past four years, plus for non-CFB promotions in the latest year — an amazing 80%-plus correlation.

Over-emphasis on short-term non-CFB promotions must and can be reversed. Otherwise, distinctive, profitable brands will turn into unprofitable, look-alike commodities.

Robert M. Prentice is a management consultant in advertising and marketing, and a veteran of more than 40 years in marketing on both the advertiser and the agency sides.

OUR READERS TELL US . . .

More than three quarters of our reader sample, polled by Research USA, Chicago, believe that price promotions do not have a negative effect on brand loyalty. (Base = 83 unless otherwise specified).

1. How much of a dollar change do you foresee in your overall sales promotion budget for next year?

An increase of over 10%	21.7%
An increase of 6% to 10%	20.5%
An increase of 1% to 5%	28.9%
A decrease of over 10%	2.4%
A decrease of 6% to 10%	4.8%
A decrease of 1% to 5%	2.4%
No change	19.3%

How much of a change will there be in your consumer promotion?

An increase of over 10%	21.7%
An increase of 6% to 10%	18.1%
An increase of 1% to 5%	25.3%
A decrease of over 10%	4.8%
A decrease of 6% to 10%	3.6%
A decrease of 1% to 5%	3.6%
No answer	3.6%
No change	19.3%

How much of a change will there be in your trade promotion?

An increase of over 10%	14.5%
An increase of 6% to 10%	10.8%
An increase of 1% to 5%	26.5%
A decrease of over 10%	3.6%
A decrease of 6% to 10%	3.6%
A decrease of 1% to 5%	3.6%
No answer	3.6%
No change	33.8%

POLL

STRUCTURES VS. LEVELS

Two alleged indices of marketing mismanagement are: (1) the percentage sold "on deal" and (2) the ratio of price-promotion expenses to advertising expenditures. The bad news is that both have gotten out of hand, or so we are told. The good news is that neither tells the whole story.

The reason both statistics aren't particularly relevant is that they focus on pricing structures, not pricing levels.

Pricing structures are systems of discounts, temporary and permanent. Pricing levels are average prices actually received, net of such discounts. Percentage sold on deal may be high, while average discounts are low. Even large discounts are of little concern if paid to retailers for special displays and prices, and not extorted under threat of discontinuing the product. Some of the strongest brands may continue to sell a large percentage on a "deal" and be getting a good deal in the process.

The amounts "spent" for promotion can be misleading because of the way they're calculated. The costing point of view is often arbitrary, and discount structures can conjure up large promotion budgets out of nothing. Discounts for prompt payment, truckload quantities and damaged goods usually don't show up in the marketing budget, but price promotions do.

Since coupons, rebates and temporary discounts to the trade are becoming part of the "permanent" pricing structure, the practice of including them in the marketing budget makes less sense. In some cases, companies may be getting higher average prices because they offer discounts that effectively discriminate between segments with different price elasticities. In many cases, promotion budgets are being calculated from list prices that would never prevail in the absence of promotions.

Price discrimination, in the economic rather than legal sense of the phrase, helps maximize profitablity of franchises being built by advertising, product quality and other marketing strategies.

Advertisers make mistakes when they portray price promotions as the enemy of advertising budgets. For example, using price promotions to ensure product availability increases confidence that demand generated by advertising will translate into sales.

It is true that sales-promotion budgets have grown faster than media expenditures, but since much of the former's growth is illusory, comparisons are hard to make. Indeed, such comparisons may increase the danger that future sales-promotion growth will come at the expense of advertising.

Other criticisms of price promotion have focused on diversion of goods from one market to another and the abuses reported in coupon redemption. No doubt these are problems, but then media bartering is not the place to take the moral high ground. And the fact that promotion-costing systems are crude may only remind us of how difficult it is to count readers and viewers delivered for the advertising dollar.

Price promotions often complement media campaigns. If more attention were paid to making promotions and media work together, the dialogue in "push-and-pull" marketing would be more productive.

Paul W. Farris is a professor at the Colgate Darden Graduate School of Business Administration, University of Virginia.

2. Does your promotion money come out of your advertising budget?

Yes	44.6%
No	55.4%

If "yes," what percentage is for promotion? (Base = 37)

1% to 5%	18.9%
6% to 10%	24.4%
11% to 15%	10.8%
16% to 20%	13.5%
21% to 25%	10.8%
Over 25%	18.9%
No answer	2.7%

3. Which type of promotion do you find most effective?

Manufacturer coupons	19.3%
Retailer coupons	10.8%
Free samples	16.9%
Sweepstakes	13.3%
POP/displays	42.2%
Refund offers	24.1%
Other	21.7%
No answer	4.8%

4. In which situation do promotions work best?

Long-term brand maintenance	15.7%
Short-term new product introductions	43.4%
Both equally	33.7%
Neither	4.8%
No answer	2.4%

5. Do you think promotions have a negative effect on brand loyalty?

Yes	20.5%
No	77.1%
No answer	2.4%

ECONOMIC EYE

PAY CABLE'S PROGRESS

Nielsen Station Index (NSI) reports pay cable in 26.8% of U.S. homes as of May 1987.

Three markets topped the 40% penetration level: Biloxi-Gulfport, 40.5%; San Antonio, 40.7%; and Honolulu, 40.9%. Two markets were below 10%: Alexandria (Minn.), 8.7%, and Harrisonburg, 9.0%.

MAGAZINE AD SCORECARD

	Ad Pages July 1987	% change from July 1986	Dollars spent (000)	% change from July 1986
1. Skin Care, Creams, Lotions and Oils	116.20	+69.5%	$ 3,625.4	+90.5%
2. Lip and Eye Beauty Products	28.33	+6.3	1,052.2	+15.6
3. Scents and Fragrances	33.77	−21.0	966.5	−5.3
4. Facial Makeup Products	21.30	+113.0	631.0	+28.6
5. Prepared Dinners and Entrees (including Pizza)	19.54	−33.8	1,046.8	−14.1
6. Liquor	270.13	+5.4	11,244.5	+9.6
7. Cigarettes	525.89	+19.6	27,368.9	+14.9
8. Soaps and Detergents	68.45	+27.8	4,065.0	+21.1
9. Passenger Cars, Domestic	223.05	+4.0	9,694.4	−4.7
10. Passenger Cars, Imported	472.10	+71.1	18,414.4	+43.6

Source: Publishers Information Bureau as prepared by Leading National Advertisers

MEDIA COST INDEX

1985 = 100 ← 1986 → ← 1987 →

	Oct.	% change	Nov.	% change	Dec.	% change	Jan.	% change	Feb.	% change	Mar.	% change	Apr.	% change	May	% change
Network TV																
Daytime	103	+2	98	−2	85	−15	92		86		88		92		92	
Nighttime	104	+4	107	+7	109	+9	106		105		112		99		110	
Spot TV																
Prime time	119	+19	115	+15	116	+16	129		133		131					
Daytime	109	+9	111	+11	105	+5	130		108		108					
Network radio	115	+15	106	+6	110	+1	139		130		126		116		116	
Spot radio	←		103	+3	→		←		101		→					
Consumer magazines	106	+6	106	+6	107	+7	109		109		110		109		109	
Natl. Sunday mags	94	−6	94	−6	94	−6	103		103		103		103		103	
Business publications	106	+6	107	+7	107	+7	111		111		111		111		111	
Newspapers	108	+8	109	+9	109	+9	116		116		116		116		116	
Outdoor	106	+6	106	+6	106	+6	111		111		111		114		114	

Notes: Percentage shown is relative change from the same month/period the year before.

1985 = 100

Sources:

Nighttime Network TV—Cost per average 30-second spot, 7:30-11 p.m. Monday-Saturday and 7-11 p.m. Sunday from Broadcast Advertisers Reports' (BAR) Network TV Service.

Daytime Network TV—Cost per average 30-second spot, 10 a.m.-4:30 p.m. Monday-Friday from BAR's Network TV Service.

Network Radio—Cost per average 30-second radio announcement from BAR's Network Radio Service.

Consumer Magazines estimate based on reported SRDS cost of a page, four-color in 40 national consumer magazines, as reported by Magazine Publishers Assn.

National Sunday Mags estimate based on published (rate cards) costs of a page, four-color in the national entries.

Daily Newspapers estimate based on Newspaper Advertising Bureau report of SRDS costs per column inch of a sample of 784 newspapers weighted to represent the universe.

Outdoor Posters based on estimate prepared by Institute of Outdoor Advertising.

Spot Radio index represents cost of a 60-second spot in the top 100 markets from data supplied to Radio Expenditure Reports by major radio representatives.

Business Publications estimate based on reported SRDS cost of a page, four-color in 48 publications representing 42 business and professional classifications.